

feed that flame, and at all costs never to kill it. With all the world's contemporary challenges, the chance to motivate, to stimulate, to kindle, remain the high calling, and ever to remind that in catastrophe there is opportunity, out of weakness can come strength. My hope has been that none of you has left my presence feeling the worse for the encounter.

The keys to a happy, acceptable, and productive life are participation, involvement and concern for others. I have hoped, by example, to inspire you to be change agents. Often your intellect, I know, has been superior to my own; only my experience has been greater and that I have tried to permit by association "to rub off on you."

To broaden one's horizons, travel, experimentation, and bold thinking must be the goals. I have sought to teach the importance of the background to know, the vision to see, the will to do. Like others before me I have often learned more from you than you from me. But always, for more than 40 years, has the joint educational venture been intensely human, exciting, and worthwhile. (May 8, 1976).●

NEW STUDY SHOWS HOW MINNESOTA'S CARGILL AND 3M COMPANIES BOOST THE U.S. STANDARD OF LIVING THROUGH THEIR GLOBAL ACTIVITIES

● Mr. GRAMS. Mr. President, last week, a Washington-based trade association, the Emergency Committee for American Trade (ECAT), released an important new study on how American companies with global operations increase the U.S. standard of living and strengthen the domestic economy. The study is entitled "Global Investments, American Returns" and I highly recommend it to every Member of the Senate.

I am proud that two of my state's most successful companies have contributed case studies to this compelling report. Cargill, Incorporated and 3M Company are examples of why America's economic future and an improved standard of living for all Americans depend upon our ability to operate, sell, invest and compete in the global marketplace.

Cargill, Incorporated operates in some 72 countries as a marketer, processor and distributor of agricultural goods and services. The company has been so successful in selling to foreign markets that some of Cargill's fertilizer facilities operate 24 hours a day, 365 days a year. This allows the plants to achieve lower unit operating costs and thereby allows Cargill to deliver a more competitively priced product. If these plants served only the U.S. market, they would sit idle most of the year because fertilizers are required only during very short periods of growing seasons. Cargill's global presence helps generate demand for its fertilizers all year round by serving different parts of the world during different growing seasons.

3M Company produces a large and continually evolving range of technologies and products. For example, the company currently offers more than 900 varieties of tapes alone. More

than 53 percent of the company's total sales are from outside the United States. 3M Company's success in operating abroad has meant growth here at home. Efficient foreign distribution, sales, and technical support, and research and development generate increased U.S. production and research and development here at home. For example, 3M's \$2.6 billion in Asian-Pacific sales contributes more than \$182 million to the company's annual research and development budget of \$1 billion—much of which is spent in Minnesota. In addition, finished and semi-finished goods that are manufactured in the United States and then exported help support overseas sales.

Cargill and 3M Company are just two of the American companies profiled in Global Investments, American Returns. The study uses data and business cases to illustrate the importance of operating globally. For example, the study shows that:

Global activities by American companies actually increase investments here at home rather than substitute for them.

The global presence of U.S. firms helps to increase export sales and create additional purchases from U.S. suppliers.

American companies with global operations account for most of the nation's research and development capital investments, and export sales.

American companies with global operations also rely heavily upon U.S. suppliers. These companies purchase more than 90 percent of their supplies—amounting to \$2.4 trillion annually—from American companies.

American manufacturers with global operations pay higher wages than do purely domestically-focused firms. For production or blue-collar workers, the difference is 15 percent higher earnings.

I urge all of my colleagues to review carefully "Global Investments, American Returns." It is an important study that should guide America's tax and trade policies. I am especially pleased to learn that ECAT—and companies like Cargill and 3M that contributed to the report—will launch a trade education campaign to help spread the facts and dispel the misconceptions about trade and investment. I am proud that these Minnesota companies are a part of this effort.

I ask that the Executive Summary of the study be printed in the RECORD.

The Executive Summary follows:

EXECUTIVE SUMMARY

In public and private-sector debates over U.S. trade and investment policies, the role in the U.S. economy of Americans companies with global operations¹ has often been misunderstood. Although there is no doubt that the United States plays an important role in the world economy, most Americans are unaware of the critical contributions that trade and foreign direct investment (FDI) of American companies with global operations make to the U.S. economy.

To broaden public understanding of the positive role of these companies, this study expands upon the research in ECAT's pre-

vious Mainstay studies in two important ways. First, it focuses on the key issue of the U.S. standard of living. Second, it broadens the scope of the study to include all three major sectors of the economy: manufacturing, agriculture, and services.

There are two key points in Mainstay III. First, by raising U.S. worker productivity, American companies with global operations help raise the U.S. standard of living. Second, because the U.S. and foreign activities of these companies tend to complement each other, the ability of these companies to help raise the U.S. standard of living depends crucially on their ability to undertake foreign direct investment abroad.

Mainstay III is based upon analysis of the investments, research and development, exports, imports, and purchases from suppliers of American companies with global operations and many other data from 1977 through 1994. The primary data source is surveys of such companies conducted by the Bureau of Economic Analysis (BEA) within the U.S. Department of Commerce.

The following sections summarize the major findings and conclusions of the study:

1. SETTING THE STAGE: THE WORLD ECONOMY IN WHICH AMERICAN COMPANIES WITH GLOBAL OPERATIONS COMPETE

American companies today operate in a world economy that is increasingly concentrated outside the United States and that is rapidly expanding its international linkages through FDI and international trade.

The U.S. share of the global economy is shrinking. For decades, the U.S. economy has been growing more slowly than the rest of the world, such that the U.S. share of total world output has been declining. This share was approximately 50 percent in 1945, but is down to only 20 percent today.

FDI and trade help U.S. integration into the global economy. American companies with global operations have helped integrate the United States more closely into the growing world economy. Average annual outflows of FDI from the United States quadrupled from the 1960s through the 1980s, and total trade as a share of U.S. output rose from 5.6 percent in 1945 to 24.7 percent in 1995.

By participating in the world economy, American companies with global operations maintain a significant presence in the United States.

Most employment is in the United States, not abroad. In 1977, U.S. parent companies accounted for 72.8 percent of total worldwide employment of American companies with global operations and by 1994, they accounted for 74.3 percent of the total.

Profits earned by foreign affiliates are mostly repatriated. In 1989 (the most recent year for which these data are available), U.S. parents repatriated 72.8 percent of their foreign affiliates' net income.

Most intermediate inputs are purchased from domestic suppliers, not foreign suppliers. From 1977 through 1994, more than 90 percent of all intermediate inputs purchased by U.S. parents came from American suppliers, not foreign suppliers.

Overseas, American companies with global operations are located primarily in developed countries, and the sales from these operations are overwhelmingly in local markets.

Most affiliate activity abroad is in developed—not developing—countries. In 1994, developed countries hosted nearly two-thirds of U.S. foreign affiliate employment and accounted for more than three-quarters of foreign affiliate assets and sales.

Foreign affiliate sales are mostly abroad, not back to the United States. In 1994, only 10 percent of total U.S. affiliate sales went to

the United States. The other 90 percent stayed abroad, and fully 67 percent of all sales were within the host countries of the foreign affiliates.

II. THE IMPORTANCE OF AMERICAN COMPANIES WITH GLOBAL OPERATIONS TO THE U.S. STANDARD OF LIVING: GENERATING HIGH PRODUCTIVITY

American companies with global operations contribute in several important ways to the U.S. standard of living, and this contribution is larger than that of purely domestic firms.

Investment in Physical Capital. American companies with global operations undertake the majority—57 percent in most years—of total U.S. investment in physical capital in the manufacturing sector.

Research and Development. American companies with global operations perform the majority—between 50 percent and 60 percent—of total U.S. research and development.

Exports. American companies with global operations ship the large majority—between 60 percent and 75 percent—of total U.S. exports. Their foreign affiliates are important recipients of these exports; their share has increased to over 40 percent today.

Imports. American companies with global operations also receive a sizable share of U.S. imports—roughly 30 percent. These imports benefit the U.S. economy in many ways, including giving U.S. companies access to foreign-produced capital goods and technologies.

All these activities help increase U.S. productivity and thereby enhance the U.S. standard of living.

III. THE IMPORTANCE OF AMERICAN COMPANIES WITH GLOBAL OPERATIONS TO THE U.S. STANDARD OF LIVING: PAYING HIGHER WAGES

American companies with global operations pay their workers higher wages than those paid by comparable American companies without global operations.

A study of 115,000 U.S. manufacturing plants indicated that U.S. parent plants pay comparable workers higher wages than purely domestic plants. Production workers receive an average of 6.9 percent less at comparable domestic plants employing more than 500 employees and 15.2 percent less at comparable domestic plants employing fewer than 500 employees.

Non-production workers receive an average of 5.0 percent less at comparable domestic plants employing more than 500 employees and 9.5 percent less at comparable domestic plants employing fewer than 500 employees. These results control for possible wage differences attributable to variations across plants in age, industry, location, and size. In light of all these controls, it seems likely that these wage differences are attributable to workers at U.S. parents being more productive than workers at comparable domestic plants.

IV. THE IMPORTANCE OF AMERICAN COMPANIES WITH GLOBAL OPERATIONS TO THE U.S. STANDARD OF LIVING: LINKAGES TO AMERICAN SUPPLIERS

In addition to directly raising the U.S. standard of living themselves, American companies with global operations may also raise the U.S. standard of living through their interactions with domestic U.S. suppliers.

Evidence exists that companies benefit from being exposed to other dynamic, successful firms. Exposure to “worldwide best practices”—whether those best practices are in the same country or abroad—tends to foster innovation, cost control, and other improvements that boost firm productivity.

The very large amount of purchases of intermediate inputs from domestic suppliers

by U.S. parents of American companies with global operations suggests the possibility that U.S. domestic suppliers have sufficient exposure to these high-productivity parents to realize some productivity gains. For the past 20 years, U.S. parents have purchased over 90 percent of their intermediate inputs—\$2.4 trillion in 1994—from domestic, not foreign, suppliers.

V. HOW FOREIGN DIRECT INVESTMENT ABROAD COMPLEMENTS U.S. PARENT ACTIVITY AND CONTRIBUTES TO A HIGH STANDARD OF LIVING IN THE UNITED STATES

Because the U.S. and foreign activities of American companies with global operations tend to complement each other, the ability of these companies to raise the U.S. standard of living depends crucially upon their ability to undertake FDI abroad.

Analysis of BEA data, academic research, and case studies of 10 major American companies demonstrates that U.S. FDI generally complements rather than substitutes for U.S. parent activity. Within American companies with global operations, affiliate expansion generally triggers in U.S. parents additional investment, research and development, trade, and input purchases from domestic suppliers. As stated earlier, these activities are key determinants of the U.S. standard of living.

Restrictions on FDI that prevent U.S. companies from expanding abroad generally will reduce U.S. parent activity and thus, lower the U.S. standard of living.

VI. CONCLUSIONS AND POLICY RECOMMENDATIONS

The United States must continue to strengthen the open system of global trade and investment in order to maximize the contributions of American companies with global operations to an improved standard of living for all Americans. To that end, U.S. trade and investment policies should take into account the following recommendations based on the research and findings in this study:

The U.S. government should maintain its open trade and investment policies. Moreover, these policies should recognize the ways in which trade and foreign direct investment benefit the U.S. economy.

The U.S. government should continue to negotiate aggressively for more open foreign markets and should persuade foreign governments to end restrictions on trade and investment. Removing these restrictions will create a “win-win” situation that benefits both foreign countries and the United States.

The U.S. government should strive to continue to harmonize its international trade, investment, and tax policies. In the case of American companies with global operations, this harmonization should take into account the many ways that their foreign operations tend to complement their U.S. activities.

Given that most services are inherently nontradable, firms in these industries must invest abroad to serve global markets. Accordingly, efforts to liberalize trade and investment should focus special attention on the unique needs of U.S. services industries. ●

HARRY M. CLOR PROFESSORSHIP

● Mr. GLENN. Mr. President, I rise to congratulate Professor Harry M. Clor of Kenyon College in Gambier, Ohio, on the establishment of the Harry M. Clor Professorship in Political Science. This coming weekend, Professor Clor's colleagues and students will gather in Gambier to honor him upon his retirement for his many years as an out-

standing professor of political philosophy and constitutional law.

In addition to his many years as one of Ohio's exceptionally dedicated teachers, Professor Clor is also a distinguished scholar and author of books and numerous articles on constitutional law and public morality.

Ohio has always been fortunate to be the home for many outstanding colleges and universities. I am pleased to recognize Kenyon College and its Department of Political Science as they honor the distinguished service and teaching career of Professor Harry M. Clor. ●

TRIBUTE TO VFW POST #5245 ON THEIR FIFTIETH ANNIVERSARY

● Mr. SMITH of New Hampshire. Mr. President, I rise today to pay tribute to the North Haverhill, New Hampshire, Post #5245 of the Veterans of Foreign Wars (VFW) on the occasion of their fiftieth anniversary. As a veteran and member of the VFW myself, I honor these men for their selfless commitment to their country and to their community.

Since 1948, the original membership of 30 World War Two veterans has grown to 160 veterans of World Wars One and Two, the Korean War, the Vietnam War and the Gulf War. I would like to specially recognize the charter members that have been there from the beginning—William Fortier, Leo Fortier, Fred Robinson, Paul LaMott, Everett Jessman, Maurice Bigelow, Willis Applebee, Ernest Hartley, William Harris, Laurent Fournier, Clifford Sawyer and Leon Dargie. All have served our country valiantly, and now tirelessly serve the Upper Valley, devoting endless hours to their community.

The extent of the Post's involvement is endless, helping not only veterans, but anyone to whom they can lend a helping hand. They are especially involved with the youth of the Upper Valley. Their youth programs projects stretch from donating American flags to schools and teaching proper flag etiquette, to sponsoring essay contests and awarding college scholarships. They also sponsor Cub Scout and Girl Scout troops and instruct youth on bicycle safety. In addition, members host meals at a local soup kitchen, visit nursing homes and the VA Hospital and also visit shut-ins. They transport the elderly to appointments, donate wheelchairs and walkers and distribute food baskets on Thanksgiving.

For half of a century, these members have exemplified goodwill and concern for their neighbors, and their efforts will no doubt continue for the next fifty years. I congratulate Post #5245 for their steadfast service to the Upper Valley. New Hampshire and the United States are truly indebted to the North Haverhill Post #5245 of the Veterans of Foreign Wars, and I am proud to represent them in the U.S. Senate. ●